

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
October 25, 2018

TRUSTEES PRESENT

Christopher Kasmer	Secretary
Joseph J. Burke	
Kenneth Franklin	
Keith Hill	
Paul Sidrys	
Michael Bowen	(Alternate for Tom McKone)
Georgette Hampton	(Alternate for Sherri Thornton-Pierce)

ALSO PRESENT

John Kallianis	Executive Director
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Ronald Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 Trustee
Anita Tanay	On behalf of the ATU Local 308 Trustee
James P. Daley	Jackson Lewis, LLP on behalf of CTA appointed Trustees
Miguel Zarate	Investment Consultant, Marquette Associates
Dan Levin	Benefits Consultant, Segal Consulting
Barbara Zaveduk	Benefits Consultant, Segal Consulting
Dorothy Stawiarski	Benefits Consultant, Segal Consulting
Eric VanderPloeg	Burke, Warren, MacKay & Serritella, P.C.

CALL TO ORDER

The meeting was called to order at 11:00 a.m.

ROLL CALL

Mr. Kallianis took roll and a quorum was declared present.

REPORT OF INVESTMENT CONSULTANT

Mr. Zarate directed the attention of the Trustees to the Marquette Report as of September 30, 2018. A copy of that report was distributed to the Trustees and is attached and made part of these Minutes. Year-to-date through September 30, 2018, the Fund has returned 2.8% compared to the Policy Benchmark of 3.2%. Total assets as of September 30, 2018 were \$869,426,404. As of yesterday, October 24, 2018, total assets in the Plan were \$838,349,637.89. Mr. Zarate directed the attention of the Trustees to a review of the total Fund composite. He noted the 27.5% of the portfolio is invested with U.S. fixed income holdings and that the policy target for such holdings is 30%. Overall, through September, the portfolio is in line with its targets.

Mr. Zarate said the return target is 7% annually, which is more aggressive than average for health plans. Annualized composite performance through September 30, 2018 was then reviewed. The fixed income composite is down (2.5%) compared to the index which is down (1.4%). The non-U.S. fixed income composite return was down (5%). U.S. equity managers returned 9.4%. Mr. Zarate noted that Great Lakes, a large cap value manager, under performed as a large cap value manager and large caps under performed versus large cap growth. Small cap managers for the Fund also under performed as a group. Individual managers were then reviewed. Mr. Zarate highlighted Matarin Capital Management, which has had relatively poor performance recently due to their value tilt.

Mr. Zarate then addressed the recent termination of Wells Fargo as a U.S. fixed income manager. He recommended equalizing the assets of the three remaining fixed income managers, Garcia Hamilton, MacKay Shields and TCW. Garcia Hamilton's fee is competitive but Mr. Zarate

was able to negotiate a fee reduction from MacKay Shields. He is continuing to talk with TCW about a fee reduction. He discussed how changing their mandate from an opportunistic strategy to a core plus strategy would result in a fee reduction. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt the fee reduction from MacKay Shields and TWC as described in the Marquette memorandum of October 26, 2018.

Mr. Zarate then reported that the management team of OFI has left the firm. Consequently, Mr. Zarate recommended a search for an international small cap manager. OFI and Artisan, the firm that the management team left for, could be included in the search. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To direct Marquette to conduct a search for an international small cap manager.

REPORT OF FUND COUNSEL

Mr. Rosenblat referred to the Legal Report which was distributed to the Trustees, a copy of which is attached and made a part of these Minutes. He reported that a draft agreed order has been distributed amongst the parties to address the issues in the contribution litigation case. No action was required by the Trustees at this time.

LEGACY DATA REQUEST FOR THE 2011-2017 PAYROLL AUDIT

Mr. Kallianis reported that field work will begin shortly with the assistance of the Prado and Renteria firm which will be working along side Legacy. The field work for Locals 241, 308 and the CTA should begin in November.

SEGAL UPDATE ON 2018 SIGNIFICANT DATES

Ms. Stawiarski referred the Trustees to the key dates for the Chicago Transit Authority Retiree Health Care Trust – 2018 report that was previously distributed to the Trustees and is attached and made part of these Minutes. She said that open enrollment materials should be sent to retirees by the end of this week and that the annual open enrollment meeting is scheduled for November 8, 2018. Discussion ensued regarding the open enrollment materials that are sent to the participants and whether premium rates are included in those materials. Mr. Kallianis reported that a cover letter with the materials states that the premiums for 2019 are either flat or decreasing. Co-payments and deductibles have been indexed to an inflationary amount so those costs may increase. A correction to the Segal distributed schedule was noted in that the December Board of Trustees meeting is scheduled for December 20, not December 27, 2018.

Discussion ensued regarding who will receive the aforementioned correspondence from the Trust.

APPROVAL OF MINUTES

It was noted that the Minutes of the September 27, 2018 Board of Trustees Meeting were been previously distributed by email and hard copies were distributed to the Trustees at the meeting. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To approve the Minutes of the September 27, 2018 meeting.

Mr. Bowen abstained.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Mr. Kasmer noted that the applications for benefits and bills and remittances were previously distributed to the Trustees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve all applications for benefits and payment of bills and remittances as previously distributed to the Trustees.

EXECUTIVE SESSION

At 11:32 a.m. Mr. Hill moved that the Trustees go into Executive Session. Mr. Franklin seconded the motion. The following Resolution was unanimously adopted.

RESOLVED: That the Trustees go to Executive Session.

At 12:17 p.m. the Trustees came out of Executive Session. Mr. Kasmer reported that during the Executive Session there was extensive discussion regarding the status of the Wakpamni bond litigation. Upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: To authorize Burke Warren to proceed in the dismissal of the claims against the entities as outlined in their memorandum.

Upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: To authorize Burke Warren to reach a tolling agreement with Core Fund.

Upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: To authorize Burke Warren to engage in settlement negotiations with John Burnham for an amount consistent with the memorandum submitted by Burke Warren.

Discussion ensued regarding amending the motion to grant authority to Burke Warren to engage in settlement negotiations with John Burnham in the amount outlined in the summary and to reach a tolling agreement with Mr. Burnham if settlement cannot be secured. Ms. Hampton agreed to the clarification as the movant and Mr. Franklin agreed to that clarification as the seconder.

Mr. Kasmer, acting as Chairman stated that the motion has been amended and called the question. Upon motion made and seconded the revised Resolution was unanimously adopted:

RESOLVED: To clarify that in the event that settlement is not obtained with Mr. Burnham that Burke Warren is authorized to negotiate a tolling agreement.

ADJOURNMENT

There being no further business to come before the Board, upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: That the meeting be adjourned.

The meeting was adjourned at 12:20 p.m.

SECRETARY